

IN THE MATTER OF ARBITRATION)

Between)

CENTRAL DECATUR SCHOOLS,)
Employer)

And)

CENTRAL DECATUR EDUCATION)
ASSOCIATION, Employee representative)

CEO # 127/3

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PUBLIC EMPLOYMENT
RELATIONS BOARD

Appearances

For the Employer: Don Hoskins, attorney; Brian Gruhn, attorney

For the Association: Jim Crotty, Uniserve representative, ISEA

Hearing

The undersigned was selected as Arbitrator in the present matter through the procedures of the Iowa Public Employment Relations Board. A Hearing was held in the auditorium of Central Decatur High School on October 13, 2004, commencing at 4 p.m. and ending at 8:30 p.m. Under Iowa law, the Arbitrator must issue an Award within 15 days from the commencement of the Hearing.

Issues

The Parties reached agreement on all but two issues: the salary scale and family health insurance, but the differences on these are enormous. Bluntly put, the District is proposing a \$225 increase in the base salary (with proportionately more at higher steps and classifications); the Association is calling for a zero increase in salaries. The District is proposing a cap on

family health insurance payments of \$1182 per month (implying a \$30 per month employee contribution effective November 1, 2004); the Association argues for continuation of current contract language under which the employer pays the full cost for this insurance. The Arbitrator is empowered to choose between the Parties' last offers by issue; the previously available option of choosing the results of the Fact-finder's Report was discontinued for teachers around 1990.

The Parties presented a wide range of largely consistent evidence. Regardless of comparison group chosen, Central Decatur's salary scale is and has been at or near the bottom of the list, while its insurance costs are at the top. At the time of the earlier Arbitration (1995) where family health insurance was an issue, three or four comparison school districts paid full or nearly full family health insurance; now only one does so. The District is located in a low income county and has over 50% of its students eligible for free or reduced price lunch. Generally, the Parties agree on the core facts.

They also tend to agree on the source of the concerns that lie at the heart of this dispute. From 1995-6 through 2003-4, the District has shared in the national problem of soaring health care costs: single coverage, up 167.0%; family coverage, up 179.4%. By contrast, the "BA base" (salary of a newly hired, freshly-minted Bachelor's degree holder) has gone up only 10.5%. [Employer Exhibit I-1] As a result, in 2003-4, average total compensation of teachers in Central Decatur was \$40,368, of which \$10,400 was in insurance premiums. [Employer Exhibit CP-10]

The Parties disagree on the likely effects of this low salary/high insurance combination.

The Association contends that it has produced a well-educated staff (degrees earned ranks 104th out of 370 Iowa school districts) with middling tenure (254th out of 370). [Association Exhibit A8] The District contends that the combination has bought the worst teacher turnover problem in either of its comparison groups: average years of service are 23% below the average for a group of five larger and five smaller districts and 26% below the average for the Pride of Iowa Conference. [Employer Exhibit I-16] Beyond these figures, most claims are anecdotal or largely unsubstantiated.

Of course, the Parties are not oblivious to the fact that health insurance costs have been rapidly increasing throughout both the public and the private sectors. Employers everywhere have sought to reduce their exposure to such costs. Unions have often fought such efforts, sparking strikes by groups as diverse as University of Minnesota clericals and Bay Area grocery workers.

Standards for Decisions

The *Code of Iowa* requires that Arbitrators choose the “most reasonable” position on each issue at impasse. The statute also provides that, in addition to any other relevant factors, the following are to be considered:

1. past collective bargaining contracts between the parties including the bargaining that led up to such contracts,
2. Comparison of wages, hours and other conditions of employment...with those of other public employees doing comparable work,

3. The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services, and
4. The power of the public employer to levy taxes and appropriate funds for the conduct of its operation.

It is important to note that criteria 3 and 4 have almost identical impacts on the two Parties' positions, since they cost out at about the same: 5.8% or 6%. [Association Exhibit A7] Criterion 2 has been briefly dealt with above. The bargaining history (criterion 1) reveals an earlier joint effort to shift some of the cost: 1991-3 Agreement provided that effective September 1, 1992, employees would be required to pay 5% of the increase in costs after October 1, 1991. This proviso was dropped in the 1993-5 Agreement and has not reappeared. [Association Exhibit B2] As the Association's Exhibit B7 shows, the Association has grounds to be wary of the Employer's proposed absolute dollar cap on family insurance contributions: not unreasonable assumptions suggest that the \$30 per month employee copay in 2004-5 could easily rise to \$200 per month in 2005-6.

A general rule in public sector interest arbitration is to use external comparisons for wages and internal comparisons for benefits. This is not invariable, but as *Elkouri & Elkouri* puts it: "Benefits issues, such as health insurance, are often resolved through the use of internal comparables." [*Elkouri & Elkouri: How Arbitration Works*, Alan Miles Ruben, ed., Washington, DC, BNA Press, 2003, p. 1413] Citing Arbitrator Rice in *Manitowoc, Wis. School District* [100

LA 844], “internal comparables reveal that the Employers’s other employees would not be getting equity if the Arbitrator granted the Association’s request for paid health insurance for the retirees.” Of course, Arbitrator Rice was concerned about the fairness of granting a new benefit, not of curbing an existing benefit. But we do note that teachers and certain administrators appear to be the only Central Decatur employees to have fully paid family insurance. [Testimony of Supt. Tucker Lillis]

Arbitrators are notoriously reluctant to change long-standing provisions of an agreement. Thus, although the Parties are encouraged to accept the general validity of the distinctly different uses to which internal and external comparisons are commonly put, this Arbitrator will not use them to destroy a long-prevailing benefit, especially one restored to full coverage through bargaining. The low level of salaries for teachers in Central Decatur is without a doubt the result of conscious choice. As Arbitrator Anna DuVal Smith observed in the *Akron-Westfield* case, lower salaries are appropriately viewed as the “opportunity costs” of the higher health benefits. [Association Exhibit F]

Let us return to the issue of which proposal is most reasonable. We shall apply some features of the Parties’ proposals to the average salary and average insurance cost detailed earlier. Such calculations (not performed by either Party) should show how the average employee will fare and how the District’s costs for teacher personnel will move.

Important elements of these calculations are:

- average salary moves up at 3% per year from step and lane increases (consistent with "3% vertical, 4% horizontal" language at top of salary scale in Agreement)
- District proposal adds 1% to this ($\$225/\$21400 = \text{aprox. } 1\%$)
- The District's insurance costs go up 10% unconstrained and 5% with the \$1182 cap on family insurance (reflecting increases in employee only insurance).

The results show changes in salaries and insurance costs, total compensation and compensation net of any co-pay for the average teacher in 2003-4 and 2004-5.

	Actual 2003-4	Association Proposal 2004-5	District Proposal 2004-5
Salary	\$30,000	\$30,900	\$31,200
Insurance	\$10,400	\$11,400	\$10,900
Total Compensation	\$40,400	\$42,300	\$42,100
Co-pay	0	0	- 300
Net Compensation	\$40,400	\$42,300	\$41,800

According to this set of calculations, the average net compensation increases 4.7% under the Association's proposal and 3.5% under the District's. Since neither Party contended that differently calculated cost increase of about 6% were not financially possible, these increases must be affordable in terms of tax base and rates. According to Association Exhibit C10, the average settlement for its comparability group for 2004-5 was 4.28%. By this standard, the Association's position is more reasonable.

It is also more reasonable in terms of shifting risk in a period of uncertainty about the

future of health care costs. In the current election year, many promises are being made. Depending on how many of them can be or actually are kept, the future of health care costs may show an abatement in hikes. On the other hand, it may not, in which case Association Exhibit B7 might suggest huge increases in teacher co-pays. This is not an acceptable position for this Arbitrator for two reasons. First, it transfers immense potential for economic loss in return for only a minuscule (1%) increase in the base scale, which does little to solve what the Employer sees as a problem.. Second, by putting a fixed dollar cap on the District's contribution, the Employer's incentive to contain health care costs is reduced or eliminated. Ideally, some such incentives should exist for both the Employer and the teachers (as existed in the provisions of the 1991-3 Agreement). In passing, it is noted that the District's current insurance seems to be a "Cadillac" or "gold-plated" plan. [Association Exhibit B5]

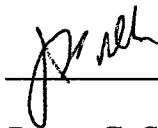
The Employer during the Hearing accused the Association of stonewalling on the issue of family insurance and urged upon the Arbitrator a kind of public policy mandate: only an Arbitrator can break this stalemate and get some risk sharing from the employees. The Union countered with hope that a Joint Committee might succeed where bargaining has not. The arbitrator notes that nothing was said about wages or insurance past the current year, 2004-5, so the Arbitrator infers that this will be a one year Agreement. The Arbitrator stresses that this was a choice between two unpalatable alternatives (exactly the thing that elimination of the fact-finding stage was supposed to eliminate). As a final piece of *dicta*, the Arbitrator would suggest to any successor that should these issues re-appear at impasse during the next bargaining season, serious attention be given to the use of internal comparables for resolving issues over benefits, as

is commonly done.

AWARD

The Association's position on both issues is awarded.

Given at Minneapolis, Minnesota this 22nd day of October, 2004.

A handwritten signature in dark ink, appearing to read "J. Scoville", is written over a horizontal line.

James G. Scoville, Arbitrator.